

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

Form 10-Q

July 26, 2013

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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Form 10-Q

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Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended June 30, 2013

or  
 Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 1-6300

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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST  
(Exact name of Registrant as specified in its charter)

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Pennsylvania (State or other jurisdiction of incorporation or organization)	23-6216339 (I.R.S. Employer Identification No.)
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200 South Broad Street Philadelphia, PA (Address of principal executive offices)	19102 (Zip Code)
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Registrant's telephone number, including area code (215) 875-0700

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	(Do not check if a smaller reporting company) Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common shares of beneficial interest, \$1.00 par value per share, outstanding at July 22, 2013: 68,146,543



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Except as the context otherwise requires, references in this Quarterly Report on Form 10-Q to “we,” “our,” “us,” the “Company” and “PREIT” refer to Pennsylvania Real Estate Investment Trust and its subsidiaries, including our operating

partnership, PREIT Associates, L.P. References in this Quarterly Report on Form 10-Q to “PREIT Associates” or the “Operating Partnership” refer to PREIT Associates, L.P.

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CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)	June 30, 2013 (unaudited)	December 31, 2012
<b>ASSETS:</b>		
<b>INVESTMENTS IN REAL ESTATE, at cost:</b>		
Operating properties	\$3,465,804	\$3,395,681
Construction in progress	74,673	68,619
Land held for development	12,649	13,240
Total investments in real estate	3,553,126	3,477,540
Accumulated depreciation	(971,715)	(907,928)
Net investments in real estate	2,581,411	2,569,612
<b>INVESTMENTS IN PARTNERSHIPS, at equity:</b>	15,193	14,855
<b>OTHER ASSETS:</b>		
Cash and cash equivalents	17,525	33,990
Tenant and other receivables (net of allowance for doubtful accounts of \$13,955 and \$14,042 at June 30, 2013 and December 31, 2012, respectively)	32,482	38,473
Intangible assets (net of accumulated amortization of \$14,403 and \$14,940 at June 30, 2013 and December 31, 2012, respectively)	10,789	8,673
Deferred costs and other assets	92,643	97,399
Assets held for sale	29,956	114,622
Total assets	\$2,779,999	\$2,877,624
<b>LIABILITIES:</b>		
Mortgage loans payable	\$1,619,155	\$1,718,052
Term Loan	—	182,000
Revolving Facility	35,000	—
Tenants' deposits and deferred rent	9,997	14,862
Distributions in excess of partnership investments	64,000	64,874
Fair value of derivative instruments	3,056	9,742
Liabilities on assets held for sale	50,275	102,417
Accrued expenses and other liabilities	64,884	72,448
Total liabilities	1,846,367	2,164,395
<b>COMMITMENTS AND CONTINGENCIES (Note 6):</b>		
<b>EQUITY:</b>		
Series A Preferred Shares, \$.01 par value per share; 25,000 preferred shares authorized; 4,600 shares of Series A Preferred Shares issued and outstanding at each \$46 of June 30, 2013 and December 31, 2012; liquidation preference of \$115,000		\$46
Series B Preferred Shares, \$.01 par value per share; 25,000 preferred shares authorized; 3,450 shares of Series B Preferred Shares issued and outstanding at each 35 of June 30, 2013 and December 31, 2012; liquidation preference of \$86,250		35
Shares of beneficial interest, \$1.00 par value per share; 200,000 shares authorized; issued and outstanding 68,146 shares at June 30, 2013 and 56,331 shares at December 31, 2012	68,146	56,331
Capital contributed in excess of par	1,461,487	1,247,730
Accumulated other comprehensive loss	(9,419)	(20,867)
Distributions in excess of net income	(622,853)	(608,634)
Total equity—Pennsylvania Real Estate Investment Trust	897,442	674,641
Noncontrolling interest	36,190	38,588

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Total equity	933,632	713,229
Total liabilities and equity	\$2,779,999	\$2,877,624

See accompanying notes to the unaudited consolidated financial statements.

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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

(in thousands of dollars)	Three Months Ended		Six Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
<b>REVENUE:</b>				
Real estate revenue:				
Base rent	\$70,274	\$67,141	\$139,884	\$133,892
Expense reimbursements	31,163	29,691	62,269	60,393
Percentage rent	584	509	1,576	1,405
Lease termination revenue	91	769	244	1,420
Other real estate revenue	2,901	3,088	5,766	5,763
Total real estate revenue	105,013	101,198	209,739	202,873
Other income	1,395	884	2,283	1,645
Total revenue	106,408	102,082	212,022	204,518
<b>EXPENSES:</b>				
Operating expenses:				
CAM and real estate taxes	(35,155 )	(33,332 )	(70,599 )	(66,908 )
Utilities	(5,140 )	(5,651 )	(10,259 )	(10,887 )
Other operating expenses	(4,095 )	(4,616 )	(8,020 )	(8,596 )
Total operating expenses	(44,390 )	(43,599 )	(88,878 )	(86,391 )
Depreciation and amortization	(35,451 )	(31,573 )	(69,432 )	(63,545 )
Other expenses:				
General and administrative expenses	(9,606 )	(10,240 )	(18,462 )	(20,124 )
Provision for employee separation expense	(1,035 )	(796 )	(2,314 )	(796 )
Project costs and other expenses	(198 )	(39 )	(400 )	(397 )
Total other expenses	(10,839 )	(11,075 )	(21,176 )	(21,317 )
Interest expense, net	(27,689 )	(30,815 )	(55,027 )	(61,533 )
Total expenses	(118,369 )	(117,062 )	(234,513 )	(232,786 )
Loss before equity in income of partnerships and discontinued operations	(11,961 )	(14,980 )	(22,491 )	(28,268 )
Equity in income of partnerships	2,283	1,952	4,736	3,945
Loss from continuing operations	(9,678 )	(13,028 )	(17,755 )	(24,323 )
Discontinued operations:				
Operating results from discontinued operations	669	627	1,299	1,506
Gains on sales of discontinued operations	—	—	33,254	—
Income from discontinued operations	669	627	34,553	1,506
Net (loss) income	(9,009 )	(12,401 )	16,798	(22,817 )
Less: net loss (income) attributable to noncontrolling interest	314	513	(691 )	932
Net (loss) income attributable to PREIT	(8,695 )	(11,888 )	16,107	(21,885 )
Less: dividends on preferred shares	(3,962 )	(1,845 )	(7,924 )	(1,845 )
Net (loss) income attributable to PREIT common shareholders	\$(12,657 )	\$(13,733 )	\$8,183	\$(23,730 )

See accompanying notes to the unaudited consolidated financial statements.

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PENNSYLVANIA REAL ESTATE INVESTMENT TRUST  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

(in thousands of dollars, except per share amounts)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Loss from continuing operations	\$ (9,678 )	\$ (13,028 )	\$ (17,755 )	\$ (24,323 )
Noncontrolling interest	336	537	651	992
Dividends on preferred shares	(3,962 )	(1,845 )	(7,924 )	(1,845 )
Dividends on unvested restricted shares	(103 )	(128 )	(211 )	(189 )
Loss from continuing operations used to calculate earnings per share—basic and diluted	\$ (13,407 )	\$ (14,464 )	\$ (25,239 )	\$ (25,365 )
Income from discontinued operations	\$ 669	\$ 627	\$ 34,553	\$ 1,506
Noncontrolling interest	(22 )	(24 )	(1,342 )	(60 )
Income from discontinued operations used to calculate earnings per share—basic and diluted	\$ 647	\$ 603	\$ 33,211	\$ 1,446
Basic and diluted (loss) earnings per share:				
Loss from continuing operations	\$ (0.21 )	\$ (0.26 )	\$ (0.42 )	\$ (0.46 )
Income from discontinued operations	0.01	0.01	0.55	0.03
	\$ (0.20 )	\$ (0.25 )	\$ 0.13	\$ (0.43 )
(in thousands of shares)				
Weighted average shares outstanding—basic	63,540	55,143	59,661	